

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **202005026**  
Release Date: 1/31/2020

**Employer Identification Number:**

**Date:** November 4, 2019

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

e dollars = amount  
b dollars = amount  
c dollars = amount  
d dollars = amount  
f = number  
X = organization

**UIL:**

4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private operating foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

**Description of your request**

You will provide scholarships to students to defray the costs of attending post-secondary schools as either undergraduate or graduate student. The number of scholarships to be made annually is determined based on the funds available including the earnings of your investment assets.

The amount of each scholarship is determined by your Board of Directors with the intention of providing sufficient awards to assist the recipients with school expenses; but

also to allow for awarding multiple scholarships each year. Scholarships are awarded on a one-time bases for each recipient and are not available for renewal.

You currently award f scholarships to undergraduate students. for b dollars, for c dollars, for d dollars and for e dollars. You also award scholarship for post-graduate study.

The scholarship program is publicized on your website and announcements are in all branch locations. The scholarship application form is available on your website when applications are being accepted.

All students who are members of X are eligible for scholarships with the exception of the following individuals: members of X's Board of Directors, X's officers, X's employee, member of the scholarship selection committee, or family member of any such person, or previous X scholarship recipients.

Students are required to submit a two-part essay describing their intended course of study, what influenced their choice, and also what they feel needs to be done to increase financial literacy for students. When applications are received, they are assigned a code to ensure an unbiased review of the application. They are then distributed to selection committee members for review. Each reviewer grades the application for content, grammar and style. The total scores received for all applications are compared and the ones receiving the highest grades are awarded the scholarships. The selection committee is made up of employees of the X who volunteer to review the application. New volunteers are recruited every year.

Students are only eligible to receive a scholarship one time. Once the students have started at their respective schools, the scholarship funds are delivered by you to the schools' Financial Aid Offices for payment of tuition, books, and fees. Because there are no repeat awards and the Financial Aid Offices manage the use of funds, no follow-up reporting is required from the recipients. If a student leaves school during the term, the schools return any remaining scholarship funds.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4949-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request. The effective date of our approval is December 27, , which is the date your request was submitted.
- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements